GOVERNMENT OF INDIA
PLANNING
LOK SABHA

UNSTARRED QUESTION NO:2827
ANSWERED ON:10.05.2006
FRESH ASSESSMENT OF POVERTY LINE
Barad Shri Jashubhai Dhanabhai

Will the Minister of PLANNING be pleased to state:

(a) whether there was a proposal to set up another Commission for a fresh assessment of poverty line;

(b) if so, the details thereof;

(c) the composition and the terms of reference of the Commission; and

(d) the present concept of poverty line and the percentage of urban and rural population presently living below poverty line?

Answer

MINISTER OF STATE IN THE MINISTRY OF PLANNING (SHRI M.V. RAJASEKHARAN)

(a) to (c): No Sir. There is no proposal to set up another commission for a fresh assessment of poverty line. However, an Expert Group to review the comparability of poverty estimates based on different quinquennial rounds of NSS has been set up by the Planning Commission on 2nd December, 2005. The composition and terms of reference of the Expert Group is enclosed at Annexure-I.

(d): A note giving the details of the concept of poverty line and the urban and rural population living below poverty line is attached at Annexure-II.

Annexure -I

No. M-11019/10/2005-PP

Planning Commission

(Perspective Planning Division)

Yojana Bhavan, Sansad Marg,

New Delhi, 2nd December, 2005

ORDER

Subject: Expert Group to Review the Methodology for Estimation of Poverty.

It is proposed to set up a Expert Group to Review the Methodology for Estimation of Poverty.

II. The composition of the committee will be as under:

1.Prof. Suresh D. Tendulkar Chairman
Delhi School of Economics
University of Delhi
Delhi.

2.Dr. R. Radhakrishna Member
Director Indira Gandhi Instt. of
Development Research
Mumbai

3.Prof. Raghav Ghaia Member
Faculty of Management Science
University of Delhi

4.Dr. Suranjan Sengupta Member
AE-710, Sector-1
Salt Lake
Kolkata-700064

III. The terms of reference for the committee are as follows:

1. To examine the issues relating to the comparability of the 50th , 55th and 61st round, and to suggest methodologies for deriving such comparability with past and future surveys.

2. To review alternative conceptualizations of poverty, and the associated technical aspects of procedures of measurement and data base for empirical estimation including procedures for updating over time and across states.

3. In the light of (2), to recommend any changes in the existing procedures of official estimates of poverty.

IV. The Chairman of the Expert Group may set up sub-committees if necessary for undertaking in-depth studies.

V. The Group may co-opt and consult non-official experts/representatives of other agencies if required.

VI. The expenditure on T.A./D.A. for the Members in connection with the meetings of the committee will be borne by the parent Department/ Ministry/ Organisation. The expenditure, if any, in respect of non-official Members will be borne by the Planning Commission as per rules & regulations of T.A./D.A. applicable to Grade-I officers of Govt. of India.

VII. Secretarial Assistance will be provided to the Group by the Planning Commission.

VIII. The Technical Committee will submit an interim report by February, 2006 and its final report to the Planning Commission within a year.

R.Sridharan
Joint Secretary
(Admn.)
Copy to:
All members of the Expert Group.

Annexure-II

NOTE ON THE CONCEPTS OF POVERTY LINE AND THE RURAL AND URBAN POPULATION BELOW POVERTY LINE

To estimate the poverty, the first step is to define a poverty line. A poverty line divides the poor from the non-poor. It is the minimum required consumption level of food, clothing, shelter, transport, health care etc.

1. Task Force Method

The Planning Commission in 1977 constituted a Task Force on `Projections of Minimum Needs and Effective Consumption Demand` , which submitted its report in 1979. The Task Force defined poverty line as per capita consumption expenditure level, which meets the average per capita daily calorie requirement of 2400 kcal in rural areas and 2100 kcal in urban areas along with a minimum non-food expenditure on vital requirements such as clothing, shelter and transport etc. The Task Force used the age-sex-activity specific calorie allowances recommended by the Nutrition Expert Group (1968) to estimate the average daily per capita requirement for rural and urban areas using the age-sex-occupational structure of their respective population (as projected for 1982-83). Thus to the extent the data permitted, the age, sex and occupational differentials in the daily calorie requirement of the population were captured in the average norms.

The Task Force used the 28th Round (1973-74) NSS Data relating to household consumption both in quantitative and value terms in order to compute the monetary equivalent of these calorie norms which is known as poverty line. It was estimated at Rs. 49.09 per capita per month for rural areas and Rs.56.64 per capital per month for urban areas.

For the estimation of persons below poverty line, the percentage distribution of persons in different expenditure classes obtained from the National Sample Survey (NSS) data on household consumption expenditure was utilized. The NSS distribution of private consumption was adjusted pro-rata to correspond to the consumption estimates of National Accounts made by the Central Statistical Organization (CSO). Using the poverty line and the state-wise adjusted distribution of persons by expenditure classes for the reference year, the percentage of persons below the poverty line was estimated. Applying the projected population of the year, the number of persons in poverty was estimated from the percentage of persons below poverty line. The same poverty line defined at national level separately for rural and urban areas, was used in all the States/UTs. The poverty line defined by the Task Force at 1973-74 prices was being updated for the reference year using the implicit CSO private consumption deflator at current and constant prices. The ratio between the two yields the implicit consumption deflator.

The major flaw in this approach was

(i) the choice of deflators to represent price changes in the poverty line;

(ii) the adjustment procedure;

(iii) Application of the same poverty line in all the states, which imply the absence of price differentials across the states;

(iv) use of a fixed consumption basket over time; and

(v) the uniform consumption basket for all the states.

The methodology for estimation of poverty at national and state level was regarded by some as inappropriate and even inadequate in giving a representative picture of incidence of poverty in India.

2. Expert Group Method

The present method used by the Planning Commission for estimation of poverty is based on the methodology recommended by the expert Group on `Estimation of Proportion and Number of Poor` (Lakdawala Committee). The expert Group, which was constituted in September, 1989 submitted its report to the Planning Commission in July, 1993. A full Planning Commission meeting chaired by the Prime Minister in March, 1997 accepted the recommendations of the Expert Group with minor modifications. Since then the estimates of poverty at national and state level are being made using the Expert Group methodology.

After the Expert Group submitted its Report in July 1993, the poverty line defined by the Task Force at national level was retained. However, as recommended by the Expert Group, the disaggregation of the national poverty line into state-specific poverty lines was done in order to reflect the state-wise price differential. Accordingly, the poverty lines and the incidence of poverty were re-computed for the previous years. The important points of departure between the Expert Group methodology and the Task Force methodology are the following:

In the new method, the NSS consumption expenditure data are not adjusted in any way and it is used as it is.

The new method uses state-specific poverty lines as against a national level poverty line for rural and urban areas.

The new method suggested use of state-specific cost of living indices for updating the poverty line separately in rural and urban areas. The old method used only one National Index, which was also used for rural and urban areas.

However, the assumption of the same consumption basket and the same calorie norm for all the States, while estimating poverty is retained. The details of the Expert Group Methodology are given below.

(i) Rural Poverty Lines

The Expert Group disaggregated the national rural poverty line of Task Force, which is monthly per capita consumption expenditure of Rs.49.09 in 1973-74, into state-specific poverty lines on the basis of state-specific Consumer Price Indices for Agricultural Labourers (CPIAL), adjusted by interstate price differential. These state-specific poverty lines in 1973- 74 are updated for later years using state-specific price indices especially constructed by averaging the CPIAL for (a) food, (b) fuel and light, (c) clothing and footwear, and (d) miscellaneous items with their respective weights in the consumption basket in 1973-74.

(ii) Urban Poverty Lines The Expert Group disaggregated the national urban poverty line of Rs.56.64 as was estimated by Task Force in 1973-74, into state-specific poverty lines on the basis of state-specific Consumer Price Indices for Industrial Workers (CPIIW), adjusted for interstate price differential. These state-specific poverty lines of 1973-74 are updated for later years using especially constructed state-specific price indices by averaging the CPIIW for

(a) food;

(b) fuel and light;

(c) housing;

(d) clothing, bedding, and footwear; and

(e) miscellaneous with their respective weights in the consumption basket at national level in 1973-74.

(iii) National Poverty Lines

The national poverty lines are worked out from the national level expenditure distribution obtained from the NSS data on consumer expenditure and the national level poverty ratio. The national level poverty ratio, on the other hand, is estimated as a weighted average of state-specific poverty ratios. These are given below in the table.

Poverty Line (Rs. Monthly per capita)

YEAR	RURAL	URBAN
1973-74	49.63	56.76
1977-78	56.84	70.33
1983	89.50	115.65
1987-88	115.20	162,16
1993-94	205.84	281.35
1999-2000	327.56	454.11

The state-specific poverty lines for 1999-2000 is given in Annexure-III.

Using these poverty lines as the cut off level, the Planning Commission estimates poverty at national and state level from the large sample surveys on household consumption expenditure conducted by the National Sample Survey Organization (NSSO) at an interval of approximately five years. The latest available data from such surveys is from NSS 55th Round, which was conducted in 1999-2000. The next estimates of poverty will be based on the 61st round of NSSO, (July 2004 to June 2005), the results of which are likely to be released any time during the year 2006

Incidence of Poverty in India

The percentage of people living below the poverty line using data from the quinquennial rounds of National Sample Survey Organization on household consumption expenditure are given below in the table:

Percentage of people living below poverty line

Year	Rural	Urban	Combined
1973-74	56.4	49.0	54.9
1977-78	53.1	45.2	51.3
1983	45.7	40.8	44.5
1987-88	39.1	38.2	38.9
1993-94	37.3	32.4	36.0
1999-2000	27.1	23.6	26.1

The state-wise poverty estimates of India, for both rural and urban areas, for the latest available data from NSS 55th Round , conducted during 1999-2000 is given in Annexure IV.

Annexure-III

State-Specific Poverty Lines in 1999-2000

(Rs. per capita per month)

S.no.	State	Rural	Urban
(1)	(2)	(3)	(4)
1	Andhra Pradesh	262.94	457.40
2	Assam	365.43	343.99
3	Bihar	333.07	379.78
4	Gujarat	318.94	474.41
5	Haryana	362.81	420.20
6	Himachal Pradesh	367.45	420.20
7	Karnataka	309.59	511.44
8	Kerala	374.79	477.06
9	Madhya Pradesh	311.34	481.65
10	Maharashtra	318.63	539.71
11	Orissa	323.92	473.12
12	Punjab	362.68	388.15
13	Rajasthan	344.03	465.92
14	Tamil Nadu	307.64	475.60
15	Uttar Pradesh	336.88	416.29
16	West Bengal	350.17	409.22
17	Delhi	362.68	505.45
	All India#	327.56	454.11

The poverty line(implicit) at all-India level is worked out from the expenditure class-wise distribution of persons and the poverty ratio at all-India level. The poverty ratio at all India level is obtained as the weighted average of the state-wise poverty ratio.

Annexure-IV

Number and Percentage of Population Below Poverty Line by States - 1999-2000

		Rural		Urban		Combined	
No.	States/U.T.`s	No. of Persons (Lakhs)	% of Persons	No. of Persons (Lakhs)	% of Persons	No. of Persons (Lakhs)	% of Persons
1.	Andhra Pradesh	58.13	11.05	60.88	26.63	119.01	15.77
2.	Arunachal Pradesh	3.80	40.04	0.18	7.47	3.98	33.47
3.	Assam	92.17	40.04	2.38	7.47	94.55	36.09
4.	Bihar	376.51	44.30	49.13	32.91	425.64	42.60
5.	Goa	0.11	1.35	0.59	7.52	0.70	4.40
6.	Gujarat	39.80	13.17	28.09	15.59	67.89	14.07
7.	Haryana	11.94	8.27	5.39	9.99	17.34	8.74
8.	Himachal Pradesh	4.84	7.94	0.29	4.63	5.12	7.63
9.	Jammu & Kashmir	2.97	3.97	0.49	1.98	3.46	3.48
10.	Karnataka	59.91	17.38	44.49	25.25	104.40	20.04
11.	Kerala	20.97	9.38	20.07	20.27	41.04	12.72
12.	Madhya Pradesh	217.32	37.06	81.22	38.44	298.54	37.43
13.	Maharashtra	125.12	23.72	102.87	26.81	227.99	25.02
14.	Manipur	6.53	40.04	0.66	7.47	7.19	28.54
15.	Meghalaya	7.89	40.04	0.34	7.47	8.23	33.87
16.	Mizoram	1.40	40.04	0.45	7.47	1.85	19.47
17.	Nagaland	5.21	40.04	0.28	7.47	5.49	32.67
18.	Orissa	143.69	48.01	25.40	42.83	169.09	47.15
19.	Punjab	10.20	6.35	4.29	5.75	14.49	6.16
20.	Rajasthan	55.06	13.74	26.78	19.85	81.83	15.28
21.	Sikkim	2.00	40.04	0.04	7.47	2.05	36.55
22.	Tamil Nadu	80.51	20.55	49.97	22.11	130.48	21.12
23.	Tripura	12.53	40.04	0.49	7.47	13.02	34.44
24.	Uttar Pradesh	412.01	31.22	117.88	30.89	529.89	31.15
25.	West Bengal	180.11	31.85	33.38	14.86	213.49	27.02
26.	A & N Island	0.58	20.55	0.24	22.11	0.82	20.99
27.	Chandigarh	0.06	5.75	0.45	5.75	0.51	5.75
28.	Dadra & Nagar Haveli	0.30	17.57	0.03	13.52	0.33	17.14
29.	Daman & Diu	0.01	1.35	0.05	7.52	0.06	4.44

30. Delhi	0.07	0.40	11.42	9.42	11.49	8.23
31. Lakshadweep	0.03	9.38	0.08	20.27	0.11	15.60
32. Pondicherry	0.64	20.55	1.77	22.11	2.41	21.67
All India	1932.43	27.09	670.07	23.62	2602.50	26.10

Note:-contd.

Note.
1.Poverty Ratio of Assam is used for Sikkim, Arunachal Pradesh,Meghalaya Mizoram,Manipur,Nagaland and Tripura

2.Poverty Line of Maharashtra and expenditure distribution of Goa is used to estimate poverty ratio of Goa.

3. Poverty Line of Himachal Pradesh and expenditure distribution of Jammu & Kashmir is used to estimate poverty ratio of Jammu & Kashmir

4. Poverty Ratio of Tamil Nadu is used for Pondicherry and A & N Island

5. Urban Poverty Ratio of Punjab used for both rural and urban poverty of Chandigarh

6 Poverty Line of Maharashtra and expenditure distribution of Dadra & Nagar Haveli is used to estimate poverty ratio of Dadra & Nagar Haveli

7. Poverty Ratio of Goa is used for Daman & Diu.

8.Poverty Ratio of Kerala is used for Lakshadweep